



State of Arizona Accounting Manual

Topic 55 Payroll and Personnel
Section 07 Employment at Multiple Agencies

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INTRODUCTION

When an employee of one agency is engaged to perform services at a second agency, special challenges arise involving such matters as the nature of the relationship with the second agency and overtime.

POLICIES

1. When one agency (the secondary agency) engages the services of an employee employed by another agency (the primary agency), the nature of the relationship between the employee and the secondary agency depends upon circumstances.
 - 1.1. If the duties performed by the employee for the secondary agency are substantially the same (administration vs. administration; accounting and finance vs. accounting and finance; security or law enforcement vs. security or law enforcement; etc.) as the duties he renders to the primary agency, the individual is considered an employee of both agencies.
 - 1.2. If the duties performed by the employee for the secondary agency are substantially different (equipment repair and maintenance vs. nursing; facility inspection vs. training; etc.) from the duties he renders to the primary agency, the individual may be an employee of both agencies or an employee of the primary agency and an independent contractor with the secondary agency.
 - 1.2.1. The determination of the individual's status is made by applying the policies in place to distinguish an employee from an independent contractor. These policies generally involve the degree of control retained by the employer or principal and the risk borne by the employee or contractor.
 - 1.2.1.1. The greater the control over and the less risk borne by the individual, the more likely that he should be characterized and treated as an employee.
 - 1.2.1.2. The less the control over and the more risk borne by the individual, the more likely that he should be characterized and treated as a contractor.
 - 1.2.2. Unless an individual clearly, demonstrably and unambiguously can be shown to be an independent contractor with respect to services provided by him to the secondary agency (and the underlying analysis be in writing and retained), he should be treated as an employee of both the primary and secondary agencies. Treatment of the individual is by far the most commonly encountered situation and one that reduces risk to the State by ensuring all Federal and State payroll

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related taxes, unemployment insurance, applicable overtime, workers' compensation fees, and benefits are accrued and paid.

2. If the individual is determined to be an employee of the secondary agency:
 - 2.1. Neither ETE nor HRIS permits one employee to be carried on its system in more than one agency. Only the primary agency has access to and the ability to enter information on the employee's time and attendance record in HRIS and an employee's time recorded through ETE can only be charged to one agency.
 - 2.2. In the case of an employee working for two agencies, an interagency service agreement should be executed between the primary and secondary agencies. The primary agency shall make all payroll-related payments through HRIS for the employee.
 - 2.3. The secondary agency shall reimburse the primary agency for any compensation (straight time or overtime) paid the employee and the prorated costs of any employee related expenses (taxes, benefits, etc.) using an interagency transfer.
 - 2.4. If the positions at both agencies are not excluded and identical as to the treatment of overtime (non-exempt, exempt straight time), and if both positions contribute to the same State authorized retirement plan, unless the terms of the governing interagency service agreement provides otherwise:
 - 2.4.1. The secondary agency shall reimburse the primary agency for the regular wages, overtime wages (if any), as well as the costs of any employee-related expenses for the off-duty work. This can be done using an interagency transfer form GAO-514 or GAO-614.
 - 2.4.2. An employee not exempt from overtime premium pay under the provisions of the Fair Labor Standards Act (FLSA) shall be compensated at the at the rate of one and one half (1½) times his straight time rate for hours worked in one work week in excess of forty (40) hours.
 - 2.4.3. The secondary employment agency is responsible for checking with the primary employment agency to determine whether or not the employee actually worked forty (40) or more hours during the week.
 - 2.4.4. If the employee worked fewer than forty (40) hours during the work week for the primary agency, the secondary agency will pay the employee at the straight time rate until the combination of hours worked in both agencies reaches a total of forty (40) hours. As soon as a total of forty (40) hours have been worked by the employee, the secondary employing agency will pay the employee at the rate of one and one half (1½) times his straight time rate for all additional hours worked during that same work week.
 - 2.5. If one of the positions involves an excluded position, or if the positions are not identical as to the treatment of overtime (non-exempt, exempt straight time), or if

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the two positions do not contribute to the same State authorized retirement plan, or if the effective or contemplated interagency service agreement contains an allocation plan different from that outlined above, contact GAO Central Payroll for additional guidance.

3. Agencies should contact their representative at the Office of the Attorney General when drafting or entering into interagency service agreements that deal with the employment of an individual at more than one agency.

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